Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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ACTION XMB-04

INFO OCT-01 NEA-10 ISO-00 EB-07 AID-05 IGA-02 SP-02
USIA-06 NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01
CEA-01 COME-00 FRB-03 L-03 CIAE-00 INR-07 NSAE-00
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FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC 4478

C O N F I D E N T I A L BEIRUT 3191

DEPT ALSO PASS AID AND EXIMBANK

E.O. 11652: GDS
TAGS: OTRA ECON ECRE EFIN LE
SUBJ: EXIM BANK OFFICIAL MEETS NEWLY ELECTED PRESIDENT OF ASSOCIATION OF LEBANESE INDUSTRIALISTS AND PRESIDENT OF ASSOCIATION OF LEBANESE BANKS

REF: BEIRUT 3018

1. ON JUNE 30 VISITING EXIMBANK OFFICIAL DONEGAN AND EMBOFF CALLED ON FOUAD ABI SALEH, ASSISTANT MANAGING DIRECTOR OF INFI BANK AND NEWLY ELECTED PRESIDENT OF ASSOCIATION OF LEBANESE INDUSTRIALISTS. (EXIMBANK TEAM CALLED ON OUT-GOING PRESIDENT GEORGE ASSEILY JUNE 24. SEE BEIRUT 3063). SALEH SAID BANKS HAD RECEIVED OVER LL 2 BILLION IN DEPOSITS SINCE REOPENING JANUARY 17. (FINANCE MINISTER FARID RAPHAEL TOLD TEAM AMOUNT WAS "IN EXCESS OF LL ONE BILLION." SEE BEIRUT 3109). ABI SALEH CONTINUED THAT CENTRAL BANK NOW HAD TOTAL LL 5.111 BILLION IN RESERVES, OF WHICH ABOUT $420 MILLION WAS IN GOLD VALUED AT $42 PER OUNCE, BROKEN DOWN AS FOLLOWS:

LL 2.279 BILLION TO COVER CURRENCY IN CIRCULATION AT OFFICIAL
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RATE OF 80 PCT.;

LL 2.832 BILLION USED PRIMARILY TO MAINTAIN PARITY OF LEBANESE POUND WITH OTHER CURRENCIES.

2. ON JULY 1 DONEGAN AND EMBOFF ALSO MET WITH PIERRE NASRALLAH, PRESIDENT OF ASSOCIATION OF LEBANESE BANKS.

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NASRALLAH STRONGLY CRITICISED AMERICAN BANKS IN LEBANON, WHICH HE SAID WERE MUCH MORE CONSERVATIVE IN THEIR LENDING POLICIES THAN EUROPEAN BANKS. AMERICAN BANKS WERE UNWILLING TO FINANCE EVEN IMPORT OF CONSUMABLES.

3. NASRALLAH SAID THAT GIVEN ACTUAL EXCHANGE RATES AND MARKET VALUE OF GOLD, FOREIGN RESERVE COVERAGE OF CURRENCY WAS EFFECTIVELY 120 PCT. TO 130 PCT. TURNOVER IN BANKS WAS NOW ABOUT 40 PCT. OF PREWAR LEVEL. WHEREAS BANKS USED TO CLEAR 10 TO 15 THOUSAND CHECKS PER MONTH, THEY NOW CLEARED FOUR TO FIVE THOUSAND.

4. IN NASRALLAH'S VIEW EXIMBANK SHOULD NOT EXTEND CREDITS FOR MORE THAN SIX MONTHS. HE SAID THAT "WE ARE STILL VERY LONG WAY FROM PRIVATE INVESTMENT" AND THAT FIRST STEP MUST BE INVESTMENT IN PUBLIC SECTOR. HE CLAIMED THAT LEBANON HAD NO FUNDS TO DO SO AND WAS IN EFFECT SPENDING ITS RESERVES. ANY COMMERCIAL LOANS BY LEBANESE BANKS WERE BEING MADE "OFF-SHORE."

5. MOST SERIOUS COMMERCIAL PROBLEM IN LEBANON WAS REFUSAL OF DEBTORS TO COME TO TERMS WITH BANKS, NASRALLAH SAID. RATHER THAN PAYING BACK MONEY OWED, DEBTORS WERE TAKING THIS MONEY AND PUTTING IT IN INTEREST BEARING ACCOUNTS IN OTHER THAN CREDITOR BANKS. AT SAME TIME DEBTS WERE INCREASING, BECAUSE BANKS WERE CHARGING INTEREST ON UNPAID
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MONEY. AS A RESULT, CENTRAL BANK FIGURES, TO BE PUBLISHED SHORTLY, WOULD BE VERY MISLEADING. THEY WOULD SHOW ARTIFICIAL INCREASES IN BOTH DEBTOR AND CREDITOR ACCOUNTS.
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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
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TAGS: OTRA, ECON, ECRE, EFIN, LE
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